



OFFICE OF GOVERNOR

PERIOD JULY 1, 2000 TO JANUARY 8, 2001

AND THE TWO YEARS ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-15
March 2, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

On January 11, 1993, Mel Carnahan was inaugurated as the state's fifty-first Governor, and in November 1996 was re-elected to the Governor's Office. On January 13, 1997, he was inaugurated for a second term. His untimely death in a plane crash on October 16, 2000, prevented him from finishing his second term.

Lt. Governor Roger Wilson became Acting Governor on October 17, 2000, and was sworn in as Missouri's fifty-second Governor on October 18, 2000. Governor Wilson's term expired January 8, 2001. On that date, Bob Holden was inaugurated as the state's fifty-third Governor.

The following report of the Office of the Governor reflects audited financial statements dating from July 1, 1998 until the electoral transfer of gubernatorial authority which occurred on January 8, 2001.

YELLOW SHEET

OFFICE OF GOVERNOR

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENT**

Honorable Roger B. Wilson
and
Honorable Bob Holden, Governor
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the General Revenue Fund-State of the Office of Governor for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

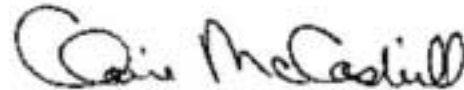
The accompanying special-purpose financial statements were prepared for the purpose of presenting the appropriations and expenditures of the General Revenue Fund-State of the Office of Governor and are not intended to be a complete presentation of the financial position and results of operations of the General Revenue Fund-State of the office.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the appropriations and expenditures of the General Revenue Fund-State of the Office of Governor for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 12, 2001, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

January 12, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Cheryl Colter, CPA
Audit Staff:	Martin Beck
	Kimberly Fowler
	Ayanna Merchant



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Roger B. Wilson
and
Honorable Bob Holden, Governor
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Office of Governor for the period July 1, 1998 to January 8, 2001, and the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

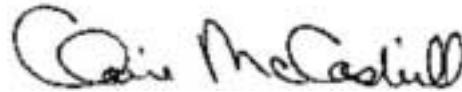
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of Governor are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of Governor, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in

the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Office of Governor and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 12, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2000 TO JANUARY 8, 2001

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
GENERAL REVENUE FUND-STATE				
National Guard emergency	\$ 85,001	12,545	0	72,456
Mansion Preservation Advisory				
Commission	3,000	0	0	3,000
Government Emergency Fund	1	0	0	1
Special audits	100,000	8,980	0	91,020
Mansion operating expenses	196,612	95,329	1,350	99,933
Governor's office	1,998,275	992,342	44,457	961,476
Association dues	139,450	139,450	0	0
Total General Revenue Fund-State	\$ 2,522,339	1,248,646	45,807	1,227,886

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
GENERAL REVENUE FUND-STATE			
Expenses incident to emergency duties performed by the National Guard when ordered out by the Governor	\$ 25,001	14,265	10,736
Personal service and operations expenditures for the Governor's Mansion Preservation Advisory Commission	3,000	0	3,000
Allocation by the committee to state agencies which qualify for emergency or supplemental funds under the provisions of Section 33.720, RSMo	1	0	1
Conducting special audits	100,000	51,225	48,775
Personal service and/or expense and equipment for the mansion	191,015	189,096	1,919
Personal service and/or expense and equipment for the Governor's Office	1,935,691	1,864,965	70,726
Association dues	133,250	133,250	0
Total General Revenue Fund-State	\$ <u>2,387,958</u>	<u>2,252,801</u>	<u>135,157</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

		Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE				
Salary for the Governor	\$	112,755	112,755	0
Expenses incident to emergency duties performed by the National Guard when ordered out by the Governor		1	0	1
Personal service and operations expenditures for the Governor's Mansion Preservation Advisory Commission		3,000	0	3,000
Allocation by the committee to state agencies which qualify for emergency or supplemental funds under the provisions of Section 33.720 RSMo		1	0	1
Conducting special audits		100,000	0	100,000
Personal service and/or expense and equipment for the mansion		185,790	179,963	5,827
Personal service and/or expense and equipment for the Governor's Office		1,745,241	1,617,229	128,012
Association dues		129,624	129,624	0
Total General Revenue Fund - State	\$	2,276,412	2,039,571	236,841

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

OFFICE OF GOVERNOR
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

	Office Equipment	Office Furniture	Motor Vehicles	Total
Office:				
Balance, July 1, 1998	\$ 347,490	188,116	5,150	540,756
Additions	41,620	4,658	0	46,278
Dispositions	(35,909)	(300)	0	(36,209)
Balance, June 30, 1999	353,201	192,474	5,150	550,825
Additions	18,969	481	1,500	20,950
Dispositions	(39,916)	(299)	(5,150)	(45,365)
Balance, June 30, 2000	332,254	192,656	1,500	526,410
Additions	0	1,138	0	1,138
Dispositions	(5,702)	0	0	(5,702)
Balance, January 8, 2001	326,552	193,794	1,500	521,846
Mansion:				
Balance, July 1, 1998	27,489	115,132	2,925	145,546
Additions	14,909	8,255	0	23,164
Dispositions	0	0	0	0
Balance, June 30, 1999	42,398	123,387	2,925	168,710
Additions	0	12,534	0	12,534
Dispositions	0	0	0	0
Balance, June 30, 2000	42,398	135,921	2,925	181,244
Additions	2,176	0	0	2,176
Dispositions	(3,960)	0	0	(3,960)
Balance, January 8, 2001	40,614	135,921	2,925	179,460
Total General Fixed Assets \$	367,166	329,715	4,425	701,306

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

OFFICE OF GOVERNOR
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the General Revenue Fund-State of the Office of Governor.

Appropriations, presented in the Exhibits, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Appropriations and Expenditures, Exhibit A, are presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period. For the period ended January 8, 2001, expenditures include amounts payable at January 8, 2001, and encumbered amounts are reported as encumbrances.

For years ended on or before June 30, 1999, the lapse period ended August 31 for regular appropriations and December 31 for capital improvement appropriations. For years ended on or after June 30, 2000, the lapse period ends August 31 for both regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The budgetary basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the General Revenue Fund-State. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office and mansion, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit A.

2. Program Specific

The Office of Governor is appropriated funds to pay for Missouri's share in various national and regional programs. The office makes a lump-sum payment annually to the National Governor's Association and the Southern Governor's Association. These payments are for Missouri's share of the expense of program operations.

3. Uncommitted Appropriations—Fiscal Year 2001

The amounts presented as uncommitted appropriations represent appropriations not yet spent or committed at January 8, 2001.

Note to the Supplementary Data:

4. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on Prior Audit Findings

OFFICE OF GOVERNOR
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of Governor on findings in the Management Advisory Report (MAR) of our prior audit report issued for the four years ended June 30, 1998.

Although unimplemented recommendations are not repeated, the office should consider implementing those recommendations.

1. Personal Service Costs

- A. Three employees were paid from appropriations of the Office of Administration (OA) for the year ended June 30, 1998.
- B. Salaries for six individuals were paid partially by other state agencies, with the remainder being paid by the Office of Governor. No documentation was provided to support how the allocations were established.

Recommendation:

The Office of Governor maintain documentation to support the allocation of personal service costs to other state agencies or discontinue the practice of using other state agencies' appropriations to pay personal service costs of that office. This may require the Office of Governor to request additional funding sufficient to pay all operating costs of the office from its own appropriations.

Status:

Not implemented. However, improvement was noted. The Executive Secretary to the Chief Counsel is still paid by OA. The other two positions previously paid by OA were eliminated. The Director of Legislative Affairs and Assistant Legal Counsel for Extraditions are still paid partially by other state agencies. Documentation was not maintained to support how the allocations were established. Three of the positions previously paid by other state agencies were eliminated and one position is paid entirely by the Office of Governor. Although not repeated as a current MAR, our recommendation remains as stated above.

2. Fixed Assets

- A. A physical inventory of the fixed assets in the Governor's office was not performed annually.
- B. Neither the Governor's office nor the Mansion prepared a complete annual statement of changes in fixed assets.

- C. The property records for the Mansion did not indicate the acquisition date for the fixed assets. In addition, the Mansion records did not indicate the date and method of disposition, if applicable.
- D. A set of china cups purchased for the Mansion, costing \$5,165, was not included in the property records.

Recommendation:

The Office of Governor:

- A. Conduct an annual physical inventory for the office and reconcile the physical inventory to the fixed asset records. Documentation of the physical inventories should be retained to show compliance with state regulations.
- B. Prepare a complete statement of changes in fixed assets annually.
- C. Ensure the acquisition dates and disposition dates, if applicable, of property items is recorded on the Mansion property records.
- D. Ensure all property items are recorded on the Mansion fixed asset records.

Status:

- A. Partially implemented. According to office personnel, an annual physical inventory of fixed assets was performed and reconciled to the fixed asset records; however, no documentation of this procedure was retained. Although not repeated as a current MAR, our recommendation remains as stated above.
- B. Partially implemented. A complete annual statement of changes in fixed assets was prepared for the Office of Governor. However, an annual statement of changes in fixed assets was not prepared for Mansion fixed assets. Although not repeated as a current MAR, our recommendation remains as stated above.
- C. Not implemented. Although not repeated as a current MAR, our recommendation remains as stated above.
- D. Implemented in December 2000.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF GOVERNOR HISTORY AND ORGANIZATION

The supreme executive power of the state is vested in the governor. Unless otherwise provided by the law, he appoints members of all boards, commissions, and state government department heads as well as those of several other entities in the state and all vacancies in public offices. He commissions all officers of the state unless otherwise provided by law. Through his capacity as commander-in-chief of the militia, he is the conservator of peace throughout the state.

Providing the state's principal financial administration, the governor presents to the General Assembly a proposed budget for each appropriation period, passes approval on appropriation bills presented to him by the General Assembly, and subsequent to the passage of such bills, may control the rate at which appropriations are expended. He may reduce the appropriations when actual revenues are below the estimated revenues upon which the appropriations were based.

All bills passed by both houses are presented to and considered by the governor where they are signed into law or disapproved and returned to the originating house.

In addition to the duties which are specifically assigned to the governor in the constitution, he has many other duties assigned to him by statute and by custom. The governor is also a member of the Board of Public Buildings and the State Board of Fund Commissioners.

The governor is required to be at least thirty years of age and must have been a citizen of the United States for at least fifteen years and a resident of this state at least ten years prior to election. The governor is elected at the presidential election for a four-year term and is subject to re-election. No person may hold the officer for more than two terms.

On January 11, 1993, Mel Carnahan was inaugurated as the state's fifty-first Governor. His term expired in January, 1997, but he was re-elected to the Governor's Office. On January 13, 1997, he was inaugurated for a second term. His untimely death in a plane crash October 16, 2000, prevented him from finishing his second term.

Lt. Governor Roger Wilson became Acting Governor on October 17, 2000, and was sworn in as Missouri's fifty-second Governor on October 18, 2000. Governor Wilson's term expired January 8, 2001. On that date, Bob Holden was inaugurated as the state's fifty-third Governor.

At January 8, 2001, the office employed thirty-seven personnel. An organization chart for the office follows.

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